

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House  
(317) 232-9855

**FISCAL IMPACT STATEMENT**

**LS 6078**

**BILL NUMBER:** SB 86

**DATE PREPARED:** Nov 29, 2000

**BILL AMENDED:**

**SUBJECT:** Medicaid Coverage for Certain Drugs.

**FISCAL ANALYST:** Alan Gossard

**PHONE NUMBER:** 233-3546

**FUNDS AFFECTED:** X GENERAL  
DEDICATED  
X FEDERAL

**IMPACT:** State

**Summary of Legislation:** This bill requires the Indiana Medicaid program to provide coverage for anorectic drugs and other agents used to promote weight loss.

**Effective Date:** July 1, 2001.

**Explanation of State Expenditures:** This bill is expected to initially increase state expenditures in the Medicaid program with some potential for a partial offset in other future medical expenditures associated with obesity. A specific estimate is not available at this time.

This bill voids a provision of the Indiana Administrative Code that specifies that "anorectics or any agent used to promote weight loss" are not covered by Indiana's Medicaid program. Weight loss drugs are one of the few classes of drugs excluded from the mandatory federal coverage requirements of OBRA 1990 (Omnibus Budget Reconciliation Act of 1990). It is believed that federal law allowed for an exception for weight loss since the available weight loss drugs were controlled substances with reputations for abuse. This is not necessarily the case with the newer weight loss products currently on the market (e.g., Xenical and Meridia). The Administrative Code provision is to be deleted before December 31, 2001, implying an impact to the Medicaid program beginning by the second half of FY 2002.

OMPP has provided a preliminary estimate of the per person monthly cost for Xenical at \$126 and Meridia at \$158. These drugs may be prescribed simultaneously. Xenical may also be used as an ongoing maintenance drug.

Although direct costs to the Medicaid program may increase, there may also be some offset in other future medical expenditures associated with obesity to the extent that these drugs are successful. Diseases at least partially attributable to obesity include diabetes, coronary heart disease, hypertension, gallbladder disease, breast cancer, endometrial cancer, colon cancer, and osteoarthritis. The total additional program costs and

the amount of any expenditure offset that may exist is not known at this time. This note will be updated if additional information becomes available.

Medicaid program expenditures are shared with the federal government. The federal reimbursement rate for FY 2002 is estimated to be about 61.9% with the state contributing 38.1%.

**Explanation of State Revenues:** See Explanation of State Expenditures, above, regarding federal reimbursements through the Medicaid program.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** Office of Medicaid Policy and Planning.

**Local Agencies Affected:**

**Information Sources:** Kathy Gifford, OMPP, (317) 233-4455.